

# Detroit pill maker plans to expand, creating 600 jobs

## \$14.5-million deal a boost for state

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Generic drug maker Caraco Pharmaceutical Laboratories Ltd. of Detroit is poised to embark on a \$14.5-million expansion that will boost its pill production by 40% to 5 billion tablets per year, and create 600 new jobs during the next five years.

The Michigan Economic Growth Authority board is expected to seal the expansion deal today with approval of a \$6.8-million, 10-year tax credit.

"This is exactly the kind of company we want to keep and grow," said George Jackson, chief development officer for the City of Detroit, noting that the new jobs carry an average wage of \$48,000 a year. The city is providing real estate and property tax abatements to help secure the expansion.

Caraco Chief Executive Officer Daniel Movens said his firm was courted by North Carolina and South Carolina, both of which offered robust worker training programs that Michigan didn't seem to have.

But Gov. Jennifer Granholm countered with a tailored version of a new job training initiative she was preparing to roll out, called No Worker Left Behind, which provides up to two years of tuition-free training at Michigan community colleges and technical schools for jobs in high-demand fields. "That's what put us over the top," Movens told me Monday in a telephone interview. He said he talked to Granholm twice during his firm's 90-day decision-making process.

Caraco has 455 employees, including 85 at a packaging plant in Farmington Hills. The 600 new manufacturing and research jobs will be primarily at a 140,000-square-foot expansion of the main Detroit complex.

Caraco was founded in 1984 by Dr. Arnold Curry on Elijah McCoy Drive west of the Lodge near New Center. The firm struggled until a majority interest was purchased in 1997 by Sun Pharmaceutical Industries Ltd. of Mumbai, one India's largest manufacturers of prescription drugs and ingredients.

Products made at Caraco's 180,000-square-foot plant in Detroit include 35 generic and private-label drugs for treatment of hypertension, arthritis, epilepsy, diabetes, depression and other maladies.

Sun owns 66% of Caraco and likely will boost its stake to 78% by continuing to supply drug formulas to Caraco in return for stock. The rest of the shares are publicly traded on the American Stock Exchange. The stock closed Monday at \$14.02 a share, up 69 cents on the day. A year ago, it was worth slightly more than \$9 a share.

In its last fiscal year, which ended March 31, Caraco increased sales by 41% to \$117 million and posted a net profit of \$26.9 million, following a loss of \$10.5 million a year earlier. Revenue for the quarter, which ended June 30, was up 43% to \$35.4 million.

Fueling the growth has been an increase in the number of brand-name drugs coming off patent, an aging population and pressure to cut health care costs by mandating the use of less-expensive generics.

Caraco's expansion in Detroit is especially welcome news because it comes in the wake of last year's decision by pharmaceutical giant Pfizer Inc. to shut down its Ann Arbor research labs. "This deal solidifies our reputation for pursuing and snagging high-tech companies," Granholm said Monday in a telephone interview.

She's particularly hyped up about the **No Worker Left Behind** program, which she rolled out Aug. 1 along with the state's community college presidents.

"This is an employer-driven program," she said. With a special focus on laid-off workers from the automotive and other industries, the aim is to train and place 100,000 people in high-demand jobs in health care, alternative energy and other fields during the next few years. "We're not giving free tuition to go study philosophy."

In addition to the 600 new Caraco jobs, a University of Michigan estimate provided to the state said that economic activity generated by the expansion will create another 1,050 indirect jobs. The expansion will generate \$675 million in income for Michigan workers over the life of the tax credit, according to the U-M estimate.

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